

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 6329
BILL NUMBER: HB 1300

NOTE PREPARED: Nov 21, 2025
BILL AMENDED:

SUBJECT: Deferred Retirement Option Plan.

FIRST AUTHOR: Rep. Smith V
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill allows a member of the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, 1953 Police Pension Fund (Indianapolis), or 1977 Police Officers' and Firefighters' Pension and Disability Fund to withdraw from the deferred retirement option plan (DROP) and make an election to enter the DROP for a second time not earlier than three years after the date the member withdraws from the DROP. It provides that a member may make an election to enter the DROP only twice in the member's lifetime.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Indiana Public Retirement System (INPRS):* INPRS administers the '77 Fund and may have increased administrative workload related to the change in the DROP made under the bill. The administrative costs of the '77 Fund are paid from the fund.

Additional Information - DROP is an optional pension benefit that allows fund members who are eligible for an unreduced retirement benefit to continue to work and earn a salary for up to 60 months and then retire with a pension benefit calculated as of the date the individual entered the DROP, plus receive an additional amount equal to the total of the pension benefits that the member would have been paid during the same period had the member retired at the time they entered the DROP. The DROP benefit is payable either in a lump sum or three equal payments.

Any impact due to DROP changes by members of the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, and 1953 Police Pension Fund would be minor. As of FY 2024 there were fewer than five active members remaining in these funds who would be eligible to enter the DROP. These police and firefighter funds are administered at the local level and are funded through state General Fund appropriations to the Pension Relief Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: *'77 Fund:* Allowing an individual to enter the DROP twice may

increase the unfunded liabilities in the '77 Fund, though the impact would likely be minor. Under most circumstances the present value of expected retirement benefits is greater for an individual who enters the DROP than it is for members who receive regular retirement benefits. Under current law, an individual may enter the DROP only once, and if an individual withdraws from the DROP, they would receive their regular '77 Fund retirement benefit when they retire as if they had never entered the DROP.

Additional Information - As of June 30, 2023, there were 678 active members of the '77 Fund who were in the DROP program. The '77 Fund is funded through employer and employee contributions. The employer contribution rate for the '77 Fund is 23.3% of employee salary for calendar year 2026 and 26.5% for calendar year 2027.

1925 Police Pension Fund, 1937 Firefighters' Pension Fund, and 1953 Police Pension Fund: Any administrative impact to local employers due to DROP changes by members of the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, and 1953 Police Pension Fund would be minor. As of FY 2024 there were fewer than five active members remaining in these funds who would be eligible to enter the DROP.

Explanation of Local Revenues:

State Agencies Affected: Indiana Public Retirement System.

Local Agencies Affected: Local units with active members in the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, or 1953 Police Pension Fund (Indianapolis).

Information Sources: Cavanaugh Macdonald Consulting, LLC. (2024, June 30). *Indiana Public Retirement System. 1977 Police Officers' and Firefighters' Retirement Fund. Actuarial Valuation as of June 30, 2024.* Retrieved from https://www.in.gov/inprs/files/2024ActuarialValuation_77Fund.pdf; INPRS. (2016, December). Cost Analysis of the Deferred Retirement Option Plan ("DROP"); INPRS. *2025-2026 Employer Contribution Rate Information.* Retrieved from <https://www.in.gov/inprs/employers/er-contribution-rate-info/>

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